FTX founder Bankman-Fried indicted on criminal charges

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When outright corruption and criminality is exposed in the capitalist system, whether it be in the sphere of politics, economics or elsewhere, its institutions, including the corporate media, go into overdrive as they try to maintain that what has been revealed is not systemic but merely the product of “bad” individuals.

This phenomenon is again on display with charging of the founder and owner of the failed crypto currency exchange FTX, Sam Bankman-Fried, on multiple counts.

Bankman-Fried, who was arrested in the Bahamas on Monday, has been charged by US prosecutors in an indictment unsealed yesterday with engineering “one of the biggest frauds in American history.”

The Department of Justice has charged Bankman-Fried on eight counts, including conspiracy to commit wire fraud on customers and lenders, money laundering and violating election funding laws.

The charges centre on the claim that Bankman-Fried used the money deposited with FTX to fund the operations of his private firm Alameda Research to make investments and to finance the lavish lifestyle of himself and others.

FTX was once valued in the market at around $32 billion. It is now virtually worthless with untold losses incurred by investors, creditors and retail investors.

In testimony to a US congressional hearing yesterday, John Ray, appointed as chief executive of FTX after it filed for Chapter 11 bankruptcy, said creditors were looking at “massive losses.”

“At the end of the day, we are not going to be able to recover all the losses here,” he said, and it would take months, not weeks, to track down all the lost funds.

Outlining the operations of Bankman Fried, Ray told the hearing: “This isn’t sophisticated whatsoever, this is just plain old embezzlement.”

One of the charges against Bankman-Fried unveiled by Damian Williams, US Attorney for the Southern District of New York, is that he violated election campaign funding laws by funneling tens of millions of dollars to both Republican and Democratic committees which he claimed came from wealthy individuals but in fact were funded by Alameda with the money coming from FTX.

The money was eagerly grasped with both hands, and Bankman-Fried was one of the largest donors to the Democrats.

“All of this dirty money was used in service of Bankman-Fried’s desire to buy bipartisan influence and impact the direction of public policy in Washington,” Williams said.

The Securities and Exchange Commission, the supposed watchdog of the American financial system, came in behind the Justice Department and filed a series of civil charges. But the remarks by SEC officials amounted to a damning self-exposure.

According to the SEC, Bankman-Fried orchestrated a fraud from the day that FTX was launched in 2019 and that it continued under his personal direction until the company collapsed in November.

Customers’ assets were used to make “undisclosed venture investments, lavish real estate purchases and large political donations.”

SEC Chair Gary Gensler said: “We allege that Sam Bankman-Fried built a house of cards on a foundation of deception while telling investors that it was one of the safest buildings in crypto.”

But the SEC boss did not even touch on the question, let alone address it, of how it was that this fraud, perpetrated in plain sight over three years, did not evoke any response from one the supposed guardians of the US financial system.

The answer to that question is not to be found in any supposedly “magical” powers possessed by Bankman-Fried as a con man.

It lies in the broader financial environment, above all, the conditions created by the US Federal Reserve which had pumped trillions of dollars into the financial system after the 2008 crash and injected trillions more after the financial crisis of March 2020 at the start of the pandemic.

This ocean of ultra-cheap money boosted the value of all financial assets, not least crypto currencies, to record heights on Wall Street and elsewhere as enormous amounts of wealth were created seemingly out of thin air. And while there was money to be made hand over fist, the SEC was not going to intervene.

Speaking to reporters yesterday, Gurbir Grewal, director of the SEC’s enforcement division, said FTX “operated behind a veneer of legitimacy” created by Bankman-Fried. “But as we allege in our complaint, that veneer wasn’t just thin, it was also fraudulent.”

But as with Gensler, he made no effort to explain why this “thin veneer” was never penetrated.

Again, that question can only be answered by an examination of the broader context in which the FTX operation was carried out. The supposed “legitimacy” of FTX was not created by Bankman-Fried but by a veritable campaign involving powerful financial and media forces.

Major financial interests, including some of the world’s best-known investors, such as BlackRock, Sequoia Capital and the Ontario Teachers’ Pension Plan, backed FTX.

Bankman-Fried was promoted on television, interviewing such “luminaries” as former US President Bill Clinton and former UK Prime Minister Tony Blair. FTX was promoted by super-model Gisele Bundchen and the most famous NFL player, quarterback Tom Brady.

He will most likely be convicted of fraud and sent to jail. But the real criminals will never appear in the dock as the coverup operation gets underway.

There are parallels here with the political sphere. The essential thrust of the January 6 committee into the coup attempt, orchestrated by the Republican war hawk Liz Cheney, has been to deflect any investigation into the role of the agencies of the state in facilitating Trump’s plot.

Likewise, there will be no investigation, let alone charges, arising from the facilitating of Bankman-Fried’s operations by the supposed financial guardians and the political and media establishment.

His connections with top levels of the political establishment also recall the case of Enron chief Kenneth Lay, convicted of securities and wire fraud in 2001, who was a major financial backer of George W. Bush as he framed energy policies favourable to the company’s operations.

The decision of the powers that be to throw Bankman-Fried to the wolves on criminal charges is aimed at trying to protect the criminality of the system over which they preside.

Just as with Trump in the political sphere, he was not some kind of snake who had mysteriously slithered into a financial Garden of Eden but the representative of its essential modus operandi—the siphoning of the wealth created by the labour of the working class to the upper echelons of society.

The crypto crisis which led to his demise is an expression of a broader process—the ongoing disintegration of the financial house of cards built up over decades to which the ruling financial elites are responding by intensifying the attacks on the working class, the creators of all wealth.

The key political lesson to be drawn by the working class is that it must undertake a political struggle to end this ever-more criminal system through the fight for a socialist program in which the resources of society which it has created are consciously utilised to meet human need, not private profit.